SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D. C. 20549

FORM 10-KSB
(Mark One)
[X] ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the year ended December 31, 2002

Commission File No. 0-19047

FOOD TECHNOLOGY SERVICE, INC.
(Exact name of Registrant as specified in its charter)

FLORIDA	59-2618503
(State of incorporation or organization)	(Employer Identification Number)

502 Prairie Mine Road, Mulberry, FL 33860
(Address of principal executive offices) (Zip Code)

Registrant's telephone number, including area code: (863)425-0039
Securities registered pursuant to Section 12(b) of the Act: None
Securities registered pursuant to Section 12(g) of the Act: Common Stock, $.01 par value

Indicate by check mark whether the Registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes	No
X	
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Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-B is not contained herein, and no disclosure will be contained, to the best of Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-KSB or any amendment to this Form 10-KSB. [ ]

The Registrant's operating revenues for its most recent fiscal year were $1,198,151.

As of December 31, 2002, 11,001,038 shares of the Registrant's Common Stock were outstanding, and the aggregate market value of the voting stock held by non-affiliates (6,809,455 shares) was approximately $6,128,510 based on the market price at that date.

DOCUMENTS INCORPORATED BY REFERENCE

Proxy Statement for the annual meeting of shareholders scheduled to be held May 21, 2003.

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PART I

Item 1. Business of the Company

Food Technology Service, Inc., (the "Company") was organized as a Florida corporation on December 11, 1985. The Company owns and operates an irradiation facility located in Mulberry, Florida, that uses Gamma radiation produced by Cobalt 60 to treat or process various foods for insect disinfestations, shelf life extension and control of certain disease causing microorganisms. Additionally, the Company provides contract sterilization service to the food packaging, medical device and food ingredient industries.

The Company completed construction of its irradiation facility in Mulberry, Florida in December 1991 and the facility became operational on January 24, 1992. The plant was constructed mainly to irradiate fruits and vegetables for the primary purpose of extending shelf life and poultry to control Salmonella and other illness causing bacteria. Soon after the commencement of operations, it was recognized that the success of the Company would be dependent on the irradiation of poultry and red meats. This was due to the fact that most of the fresh fruits and vegetables are pre-sold in the Florida area where the extension of shelf life is not necessarily beneficial for the fruit and vegetable growers.

The rules for the irradiation of poultry were finalized by the U. S. Department of Agriculture and published in the Federal Register on September 22, 1992. However, to date only a limited amount of packaging materials for meat and poultry have been approved for use with irradiation. A food industry consortium, led by a major packaging material company, is working to gain additional approvals. The red meat industry, which has been faced with pathogen problems such as E. coli 0157:H7, supported a petition to allow irradiation of all meats that was approved by the FDA on December 7, 1997. However, the final regulation allowing the irradiation of red meat was not published by USDA/FSIS until February 22, 2001. Sales of poultry and red meat have been nominal to date, mainly because of slow consumer acceptance of irradiated foods. Although the Company is dedicated to the irradiation of poultry, meats and other food products, until acceptance by the public, the Company has and will continue to irradiate other products. The Company's revenue for 2002 (approximately $1,198,151) resulted primarily from the processing of packaging, medical products and consumer goods.

The benefits of irradiation in preventing food-borne illness are well known. Food irradiation is supported by the United States Department of Agriculture ("USDA"), the World Health Organization, the United States Public Health Service, the American Medical Association, the Institute of Food Technologists, and reputable scientific and medical organizations throughout America. In addition, more than forty countries have approved the irradiation of food products. The United States Food & Drug Administration ("FDA") has approved irradiation as a safe and effective means of processing a variety of foods. To date, the FDA has approved the irradiation of (i) pork, to control trichinosis; (ii) poultry and shell eggs, for the control of disease causing pathogens; (iii) spices, for sterilization; (iv) fresh fruits and vegetables for insect disinfestation, and to delay maturation, which extends the shelf life of many fresh fruits and vegetables; and (v) some meat to control pathogens and extend shelf life.

Management is working diligently with meat processors, food distributors and with major retailers to gain consumer acceptance for irradiated products. The Company continues to introduce marketing programs that would allow irradiated beef/poultry to be sold in the marketplace. Food Technology Service presently irradiates meat under a special FDA approval for the NASA Astronauts. There are currently several petitions awaiting FDA approval. The shellfish industry is waiting for FDA approval for shellfish. The USDA and the Food Irradiation Processing Alliance, of which the Company is a member, has petitioned the FDA to allow the irradiation of processed meats to control Listeria. The USDA has also petitioned the FDA to raise the maximum dose allowed for poultry and remove the requirement for non-barrier packaging for poultry.

The Company markets its irradiation process as a substitute for and/or a complement to other food processing methods such as canning, freezing, heat pasteurization and fumigation.

Processing Plant Operations

Procedures

Products to be irradiated are placed onto the conveying system. Some products, because of their density and pallet size, may have to be depalletized for radiation processing to ensure that the appropriate radiation dose is applied to the product. The conveying system automatically moves the product through the irradiation chamber at a predetermined rate specified by the Company's personnel. The positioning of the product relative to the radiation source and the distance of the product from the radiation source are fixed. The proper radiation dose is determined by the duration of the exposure of the product to the radiation source, which is carefully controlled to provide the desired dose. The exposure time required to achieve the desired dose will depend on the amount of Cobalt 60 in use and the density of the material exposed.

Like an airport x-ray system, the irradiation process does not make the food radioactive. The food is safe to eat immediately after processing.

The total time required to process different products varies, primarily reflecting (i) the different radiation doses required for different purposes (e.g., insect disinfestations requires a lower dose than does elimination of microorganisms), and (ii) the density of the product being irradiated (e.g., irradiation of relatively dense bulk poultry takes longer than irradiation of less dense retail packaged poultry). A higher or lower dose (but always within the range approved) can be applied by increasing or decreasing the time of exposure of the food to the radioactive source. Dosimeters, which measure the level of irradiation, are placed in and around the product being irradiated, and they allow the Company's personnel to ensure that proper levels have been achieved. With the addition of refrigeration inside the facility, and the current supply of Cobalt 60, the plant can handle any and all products in an efficient manner.

Personnel

As of December 31, 2002, the Company had ten employees.

Cobalt 60 Supply

The Company has in place approximately 836,559 curies of Cobalt 60. During March 2003, the Company ordered an additional 800,000 curies for $1,119,413 plus freight and installation from MDS Nordion. The level of radioactivity of Cobalt 60 declines at approximately 12% per year, and new Cobalt 60 must, from time to time, be purchased to maintain an appropriate radiation level. The amount of Cobalt 60 maintained is determined by the business needs of the Company. Nordion is the Company's supplier of Cobalt 60 and has agreed to sell to the Company all of its requirements for Cobalt 60, and to accept the return of all used Cobalt 60 that have reached the end of its useful life. Cobalt 60 is available from several sources. See "Agreements with MDS Nordion" below.

Additional Uses for Irradiation

Research Services

The Company currently has agreements with industries, universities and government agencies to provide research and testing.

Medical products, books and records and packaging

The Company provides irradiation services for the sterilization of medical products and devices, books and records and packaging materials.

Plant Safety

Safety to Surrounding Community

While a radiation source does require special handling, the necessary precautions are well understood and practiced daily at numerous medical supply irradiation plants already in operation. An irradiator is not a nuclear reactor. The process does not involve any nuclear reaction It is simply a processing plant containing a shielded area where items are exposed to a source of energy.

The Company's irradiation processing activities will not produce harmful solid, liquid or gas effluents or pollutants.

Safety to Plant Workers

As a result of long experience in designing and operating similar types of irradiation facilities, the necessary precautions for worker safety in an irradiation facility are well understood. These precautions are enforced by several federal and state agencies in the United States. The Bureau of Radiation Control, Radioactive Materials Section of the Florida Department of Health inspects the facility on an annual basis. The USDA inspects the premises whenever the Company is processing meats or poultry and the U.S. FDA inspects operations relating to both food and medical items.

Regulatory Matters

Regulation of Irradiated Foods

In the United States, primary responsibility for approval of food irradiation rests with the FDA. No irradiated food can be sold, unless the FDA has found that irradiation of a particular food, at specified doses, is both safe and generally effective for the intended purpose. To date, the FDA has approved the irradiation of red meats, poultry and shell eggs for the control of disease-causing microorganisms, the irradiation of all fresh fruits and vegetables for insect disinfestation and shelf life extension, the irradiation of spices for sterilization, and the irradiation of pork for the control of trichinosis. Petitions for the approval of the irradiation of shellfish and Ready-to-Eat luncheon meats are presently pending..

In general, no further approvals are necessary for the sale of irradiated fresh fruits and vegetables for shelf life-extension or quarantine treatment in the United States. However, the shipment of any irradiated food for export will be subject to the rules of the country of destination. There have been illnesses caused by certain bacteria and parasites in fresh foods and the dose level required for irradiation to provide safety from these organisms is higher than currently allowed and will require an additional approval from the FDA. Some states and countries require that certain foods be quarantined on import to prevent the establishment or spread of insects commonly carried by the food. The Company has had discussions with a number of parties regarding the use of irradiation for fruit and vegetables for export and for shipment between the southern states in the United States and has successfully irradiated products for quarantine treatment that have been accepted by California and Texas.

The USDA also regulates any processing of meat and poultry, whether for irradiation, packaging or otherwise. The USDA has promulgated rules relating to such processing to ensure that the food remains safe and wholesome. In general, such rules establish standards for the implementation of the approval stablished by the FDA, and relate to such matters as good handling and processing ractices. These rules deal with such matters as (i) minimum irradiation levels to assure effective treatment; (ii) temperature standards to prevent thawing of frozen foods; (iii) requirements for the separation of processed from non-processed foods; and (iv) labeling requirements. The USDA has already adopted rules relating to irradiation processing of pork, poultry and red meat products.

Regulation of the Facility and the Irradiation Process

The Company has obtained a license for the operation of its facility from the Bureau of Radiation Control, Florida Department of Health, which regulates the ownership and operation of all irradiation facilities and equipment in the State of Florida (including, for example, hospital x-ray equipment). The agency monitors the facility's operations to make certain that all safety regulations are being met.

Other Considerations

The Company recognizes that it is seeking to extend the commercial irradiation industry into new fields in the United States, and governmental bodies may seek to impose on the Company and its business regulatory requirements not now anticipated. Currently, the transportation and sale of irradiated foods is now permitted in all 50 states. Although the Company is not aware of any significant regulatory requirements applicable to its proposed business, there can be no assurance that the Company will not encounter unanticipated regulatory requirements.

Agreements with MDS Nordion

The Company, in September 1990, entered into an agreement with MDS Nordion whereby MDS Nordion agreed to provide irradiation equipment and cobalt-60 to the Company necessary to operate its irradiation facility. In order to secure payment of the purchase price, additional loans and future advances by MDS Nordion to the Company, the Company and MDS Nordion executed a Convertible Debenture and Mortgage and Security Agreement, both dated January 15, 1992. The balance of the debt at December 31, 2002 was $887,584. This balance consists of $663,194 US (the "Debt"), plus interest accruing at prime plus 1% to December 31, 2002 in the amount of $224,390.

On October 22, 1991 the Company entered into a Reimbursement and Indemnity agreement with Nordion whereby Nordion assisted the Company in obtaining a surety bond in the sum of $600,000 in order to meet State of Florida facility permit bonding requirements. In connection therewith the Company agreed to reimburse Nordion for any liability and expense which Nordion may sustain as a result of its commitments to the bond issuer and secured such obligation under a Mortgage and Security Agreement dated October 22, 1991. The bond continues to be in effect.

By agreements dated March 6, 2001, April 17, 2001, May 18, 2001 and November 20, 2001, the Company and MDS Nordion agreed and further confirmed that the Debt and any future advances, including payment of guarantees or indemnities to third parties made by MDS Nordion for the Company's benefit, shall be convertible at MDS Nordion's option, at any time, into Common Stock of the Company. The applicable conversion rate is determined based on 70% of the closing price of the Company's shares of Common Stock listed on NASDAQ, on the last trade date prior to the exercise of the conversion right. Further, by MDS Nordion's letter dated November 26, 2002, MDS Nordion's right of conversion of interest accruing on the Debt from January 1, 2001 to January 1, 2003 into shares of the Company has been waived by MDS Nordion.

On February 4, 2001, in order to simplify and consolidate the existing security interests securing repayment of the (i) Debt and interest; (ii) indemnity and reimbursement obligations arising from guarantees or indemnities provided by MDS Nordion to third parties for the Company's benefit; and (iii) fixture loans or advances, the Company and MDS Nordion, entered into a new Mortgage and Security Agreement. Substantially all of the assets of the Company continue to be pledged as collateral against the obligations of the Company to MDS Nordion.

In addition to cobalt-60 purchased from MDS Nordion, MDS Nordion has stored an additional amount of cobalt-60 at the Company's facility in anticipation of the Company's future needs. At the end of 2002, there were approximately 836,559 curies of cobalt-60 both owned and stored at the Company's facility. Title in and to 286,777 curies of cobalt-60 located at the facility remains the property of MDS Nordion and may be removed by MDS Nordion at any time.

Item 2. Properties

The Company's irradiation facility and executive office are located on an approximately 4.33 acre site owned by the Company in Mulberry, Polk County, Florida. The Company purchased the site because of its convenient access to State Road 60, a major transportation artery between central Florida produce growers and the port facility in Tampa. Should the Company's first facility prove successful, the site is sufficiently large to add one or two additional irradiation chambers, thereby increasing the capacity of the facility.

The Company's irradiation facility and executive office comprise approximately 28,800 square feet, including a 2,600 square foot warehouse and loading and unloading area, a 3,200 square foot office area, and a 3,000 square foot irradiation chamber and Cobalt 60 storage cell. The Company's irradiation processing plant consists of a radiation source, an automated conveying system and operating safety controls. The heart of the plant is the radiation source. Within the processing chamber, a water-filled pool, approximately 28 feet deep, is used to shield and store the radiation source in the "off" position. The pool is enclosed in a radiation proof chamber, a double safeguard against the escape of any radiant energy. The concrete walls and roof of the processing chamber are approximately 6 feet thick and, during the times that the source is out of the pool in the "on" positions will provide safe shielding of adjacent areas such as the control room, work floor, offices and outdoor grounds. The control room contains operating and safety controls. The conveying system is used to transport products to and from the processing chamber. The Company's facility is designed to operate 24 hours per day, seven days per week. Although the Company currently has available approximately 836,559 curies of Cobalt 60, the facility is designed to meet international standards of radiation protection with an installed source of 7,000,000 curies. The capacity of the source racks, however, will only permit a maximum of 5,000,000 curies of Cobalt 60 to be installed.

As indicated in Item I, substantially all of the assets of the Company are pledged as collateral against the obligation to Nordion.

Item 3. Legal Proceedings

On March 24, 2001, Pegasus Foods Canada, Inc. filed a lawsuit against the Company alleging that certain seafood products irradiated by the Company were adversely affected by the process. This lawsuit has been inactive since early 2002. There is no other litigation pending against the Company.

Item 4. Submission of Matters to a Vote of Security Holders

None

PART II

Item 5. Market for Registrant's Common Equity and Related Stockholder Matters

(a) The following table shows the range of closing bid prices for the Company's Common Stock in the NASDAQ SmallCap market for the calendar quarters indicated. The quotations represent prices in the over-the-counter market between dealers in securities, do not include retail mark-up, markdown, or commissions and do not necessarily represent actual transactions.

	BID PRICES	
2002	High	Low
First Quarter	$1.68	$1.09
Second Quarter	1.29	.72
Third Quarter	1.73	.54
Fourth Quarter	1.77	.85
2001	High	Low
First Quarter	$2.0625	$1.00
Second Quarter	3.20	1.0938
Third Quarter	2.89	1.10
Fourth Quarter	5.40	1.10

(b) Approximate Number of Equity Security Holders. As of December 31, 2002, the approximate number of beneficial holders of Common Stock of the Company was 3,500.

(c) Dividend History and Policy. The Company has paid no dividends to date and does not anticipate paying any for the foreseeable future.

Item 6. Management's Discussion and Analysis

Plan of Operations

The Company had revenues of $1,198,151 during 2002. This compares to revenues of $1,509,895 for the same period in 2001 and reflects a decrease of about 21 percent between the two years. The company lost ($261,774) during 2002 compared to a profit of $106,251 during 2001.

Management attributes the decrease in revenue during 2002 to the temporary departure of a non-food customer. The Company has several large non-food customers that require irradiation services on an intermittent basis. One of these customers did not require irradiation services during the second, third and fourth quarters of 2002. This customer has committed to purchase irradiation services during 2003. These intermittent customers make forecasting difficult but represent an important source of revenue over the long term. The Company continues to expand and diversify the company's customer base to minimize the impact of large intermittent customers.

Processing costs as a percentage of revenues increased from 24.5% in FY 2001 to 30.8% in FY 2002. However, processing costs were nearly identical in both years and this reflects the fact that such costs are relatively fixed at lower production volumes. Selling, General and Administrative expenses as a percentage of revenues increased from 42.5% in FY 2001 to 59.1% in FY 2002. The actual increase was $66,332 in FY 2002 versus FY 2001. Management attributes these increases to costs associated with the introduction of a branded line of irradiated food products and increased insurance premiums.

The Company has made important gains in both retail grocery and food service customers. Production of New Generation products for Colorado Boxed Beef Corporation and Publix Supermarkets did not commence until the beginning of the first quarter of 2003 and are not reflected in 2002 revenues. Management believes that irradiation of food will represent an important source of new revenue in 2003 and has procured additional Cobalt to meet this demand. In addition, the Company has made plant upgrades to provide additional storage of frozen and refrigerated food products.

At December 31, 2002, the Company had cash of approximately $73,759. Operating costs in 2002 were approximately $1,459,925, up from $1,403,644, in 2001. The Company believes that increased revenues will have a significant positive impact since processing costs and General, Administrative and Developmental costs will not increase significantly as a result of an increase in revenue.

At December 31, 2002, the Company's outstanding debt to Nordion amounted to $887,584 which is evidenced by a Note and Mortgage and Security Agreement. The debt, which includes interest of $224,390, bears interest at prime plus 1%. Such debt is due and payable on demand.

Item 7. Financial Statements

Reference is made to the Company's Financial Statements included herewith.

Item 8. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

None.

PART III

Item 9. Directors, Executive Officers, Promoters and Control Persons; Compliance with Section 16(a) of the Exchange Act

Directors and Executive Officers of the Company.

Reference is made to the Company's Proxy Statement to be used in conjunction with the 2003 annual Shareholders meeting scheduled to be held on May 21, 2003.

Item 10. Executive Compensation

Reference is made to the Company's Proxy Statement to be used in conjunction with the 2003 Annual Shareholders Meeting scheduled to be held on May 21, 2003.

Item 11. Security Ownership of Certain Beneficial Owners and Management

Reference is made to the Company's Proxy Statement to be used in conjunction with the 2003 Annual Shareholders Meeting scheduled to be held on May 21, 2003.

Item 12. Certain Relationships and Related Transactions

See Item 1 Business-"Agreements with MDS Nordion."

Item 13. Exhibits and Report on Form 8-K

(a) Exhibits
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(1) Articles of Incorporation. Reference is made to Exhibit 3.1 included in the Company's Registration Statement on Form S-18 (File No. 33-36838-A).

(2) By-Laws. Reference is made to Exhibit 3.2 included in the Company's Registration Statement on Form S-18 (File No. 33-36838-A).

(3) Agreements entered into by the Company with MDS Nordion
- *(a) Reimbursement and Indemnity Agreement dated October 22, 1991
- *(b) Agreement dated December 11, 1991
- *(c) Debenture dated January 15, 1992
- *(d) Copy of Security & Mortgage Agreement dated January 15, 1992
- *(e) Financing Agreement dated February 21, 1992
- *(f) Security Agreement dated February 21, 1992
- **(g) Letter Agreement dated March 31, 1994 and April 13, 1994
- ***(h) Modification Agreement

* Reference is made to Exhibit (c)(3)included in the Company's Form 10-K Report filed for the year ended December 31, 1991.

** Reference is made to Exhibit 3(g) included in the Company's Form 10-KSB Report filed for the year ended December 31, 1993.

*** Filed herewith.

(b) Reports on Form 8-K

No reports on Form 8-K were filed during the fourth quarter of the year ended December 31, 2002.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized as of the 21st day of March 2003.

FOOD TECHNOLOGY SERVICE, INC.

By: ____________________
Richard G. Hunter, Ph.D.
Chief Executive Officer and
Chief Financial Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Company and in the capacities and on the dates indicated:

Name	Title	Date
______________________ Richard G. Hunter, Ph.D.	Director	March 21, 2003
______________________ Thomas J. Daw	Director	March 21, 2003
______________________ Frank M. Fraser	Director	March 21, 2003
______________________ David Nicholds	Director	March 21, 2003
______________________ John T. Sinnott, M.D., F.A.C.P.	Director	March 21, 2003
______________________ Michael W. Thomas	Director	March 21, 2003

FOOD TECHNOLOGY SERVICE, INC.

INDEX TO FINANCIAL STATEMENTS

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

To the Board of Directors
and Stockholders
Food Technology Service, Inc.

We have audited the accompanying balance sheets of Food Technology Service, Inc. as of December 31, 2002 and 2001 and the related statements of operations, stockholders' equity, and cash flows for each of the three years in the period ended December 31, 2002. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Food Technology Service, Inc. as of December 31, 2002 and 2001 and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2002, in conformity with accounting principles generally accepted in the United States of America.

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note B to the financial statements, the Company has not received significant revenues and has accumulated losses since inception. Accordingly, there is substantial doubt about the Company's ability to continue as a going concern. Management's plans in regard to these matters are also described in Note B. The financial statements do not include adjustments that might result from the outcome of this uncertainty.

FAIRCLOTH & ASSOCIATES, P.A.

/S/ FAIRCLOTH & ASSOCIATES, P.A.
Tampa, Florida
March 5, 2003

FOOD TECHNOLOGY SERVICE, INC.
BALANCE SHEETS

	December 31, 2002	December 31, 2001
ASSETS		
Current Assets:		
Cash	$73,758	$104,946
Accounts Receivable	204,020	179,793
Inventory	18,761	8,070
Total Current Assets	296,539	292,809
Property and Equipment:		
Building	2,883,675	2,883,675
Cobalt	1,825,000	1,825,000
Furniture and Equipment	1,718,417	1,709,881
Less: Accumulated Depreciation	(3,347,656)	(3,033,768)
	3,079,436	3,384,788
Land	171,654	171,654
Total Property and Equipment	3,251,090	3,556,442
Other Assets:	5,000	5,000
Total Assets	$3,552,629	$3,854,251

SEE NOTES TO FINANCIAL STATEMENTS

FOOD TECHNOLOGY SERVICE, INC.
BALANCE SHEETS

	December 31, 2002	December 31, 2001
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities:		
Accounts Payable and Accrued Liabilities	$77,361	$54,359
Revolving Credit Line at Prime Rate Plus One	-	250,000
Financing Agreement Payable	887,584	1,121,894
Total Current Liabilities	964,945	1,426,253
Stockholders' Equity:		
Common Stock $.01 Par Value, Authorized 20,000,000 Shares, Outstanding 11,001,038 Shares in 2002 and 10,496,837 in 2001	110,010	104,968
Paid-In Capital	11,975,577	11,680,619
Deficit	(9,413,903)	(9,152,129)
	2,671,684	2,633,458
Less-Common Stock Issued for Receivables	(84,000)	(205,460)
Total Stockholders' Equity	2,587,684	2,427,998
Commitments and Contingencies (Notes B and I)	-	-
Total Liabilities and Stockholders' Equity	$3,552,629	$3,854,251

SEE NOTES TO FINANCIAL STATEMENTS

FOOD TECHNOLOGY SERVICE, INC.

STATEMENTS OF OPERATIONS

	Year Ended December 31, 2000	2001	2002
Net Sales	$1,412,297	$1,509,895	$1,198,151
Processing Costs	374,043	369,218	369,399
Selling, General and Administrative	802,640	641,572	707,904
Depreciation	261,618	289,983	313,888
Interest Expense	128,005	102,871	68,734
	1,566,306	1,403,644	1,459,925
Income (Loss) before Income Taxes	(154,009)	106,251	(261,774)
Income Taxes		32,293	
Income (Loss) before Benefit of Tax Loss Carryovers	(154,009)	73,958	(261,774)
Benefit of Tax Loss Carryovers		32,293	
Net Income (Loss)	($154,009)	$106,251	($261,774)
Net Income (Loss) Per Common Share	($0.015)	$0.010	($0.025)

SEE NOTES TO FINANCIAL STATEMENTS

FOOD TECHNOLOGY SERVICE, INC.

STATEMENTS OF STOCKHOLDERS' EQUITY

	Common Stock	Paid-In Capital	Deficit
Balance, December 31, 1999	$ 103,162	$ 11,438,631	$ (9,104,371)
Sale of 17,000 Shares of Stock for $31,210 in Cash	170	31,040	
Net Loss for Year			(154,009)
Balance, December 31, 2000	103,332	11,469,671	(9,258,380)
Issuance of 163,636 Shares of Stock for $212,584 in Receivables and Services	1,636	210,948	
Net Income for Year			106,251
Balance, December 31, 2001	104,968	11,680,619	(9,152,129)
Issuance of 504,201 Shares of Stock upon conversion of $300,000 of Debt	5,042	295,958	
Net Loss for Year			(261,774)
Balance, December 31, 2002	$110,010	$11,976,577	($9,413,903)

SEE NOTES TO FINANCIAL STATEMENTS

FOOD TECHNOLOGY SERVICE, INC.
STATEMENTS OF CASH FLOWS

	Year Ended December 31,		
	2000	2001	2002
Cash Flows from Operations:			
Cash Received from Customers	$1,382,317	$1,409,409	$1,173,925
Interest Paid	(27,318)	(36,141)	($3,044)
Cash Paid for Operating Expenses	(1,165,066)	(988,447)	($1,036,993)
	189,933	384,821	$133,888
Cash Flows from Investing:			
Purchase of Equipment and Cobalt	(26,776)	(537,979)	($8,536)
	(26,776)	(537,979)	($8,536)
Cash Flows from Financing Activities:			
Proceeds from Sale of Common Stock	31,210		$93,460
Proceeds from Borrowing		150,000	
Payment of Loans	(150,000)		($250,000)
Repayment of Employee Advances	42,800		
	(75,990)	150,000	($156,540)
Net Increase (Decrease) in Cash	87,167	(3,158)	($31,188)
Cash at Beginning of Year	20,937	108,104	$104,946
Cash at End of Year	$108,104	$104,946	$73,758
Reconciliation of Net Loss to Net Cash Provided (Used) by Operations:			
Net Income (Loss)	($154,009)	$106,251	($261,774)
Adjustments to Reconcile Net Income (Loss) to Cash Provided or Used:			
Depreciation	261,618	289,983	313,888
Interest and Salaries Paid in Stock	100,688	97,229	93,689
(Increase) Decrease in Receivables	(28,850)	(99,818)	(24,227)
(Increase) Decrease in Inventory	3,886	(8,070)	(10,690)
Increase (Decrease) in Payables and Accruals	6,600	(754)	23,002
Net Cash Provided (Used) by Operating Activities	$189,933	$384,821	$133,888

Supplemental schedule of non-cash investing and financing activities.

The Company issued common stock for receivables of $182,205 and services of $30,499 in 2001 and debt of $300,000 in 2002.

The Company also converted $100,688, $66,730 and $65,690 of interest expense to debt in 2000, 2001, and 2002 respectively.

SEE NOTES TO FINANCIAL STATEMENTS

FOOD TECHNOLOGY SERVICE, INC.

NOTES TO FINANCIAL STATEMENTS
December 31, 2002

Note A - Summary of Significant Accounting Policies:

A summary of the Company's significant accounting policies consistently applied in the preparation of the accompanying financial statements follows:

1. Nature of Business

The Company was organized in December 1985 to engage in the business of operating a gamma irradiation facility using Cobalt 60 to extend the shelf life of and/or disinfect fruits, vegetables and meat products and for the sterilization of medical, surgical, pharmaceutical and packaging materials.

Since its inception, the Company has been devoting its efforts to research and development, planning for and construction of facilities, planning for operations, raising capital and informing agricultural interests and other potential users of the Company's intentions and progress. During 1992, the plant was completed and commenced operations.

2. Use of Estimates

Management uses estimates and assumptions in preparing financial statements in accordance with generally accepted accounting principles. These estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could vary from the estimates that were assumed in preparing the financial statements.

3. Fair Value of Financial Instruments

The fair value of financial instruments has been valued at the prevailing prime interest rate plus 1%. The fair value approximates the carrying amount of debt.

FOOD TECHNOLOGY SERVICE, INC.

NOTES TO FINANCIAL STATEMENTS
December 31, 2002

Note A - Summary of Significant Accounting Policies (continued):

4. Revenue Recognition

Sales are recorded by the Company when the customer's product has been processed.

5. Research and Development Costs

Research and development costs are charged to expense as incurred. Such costs have not been significant to date.

6. Depreciation

Assets other than Cobalt have been depreciated using the straight-line method over the following lives for both financial statement and tax purposes:

Building	31.5 Years
Furniture and Equipment	5-15 Years

Cobalt has been depreciated using engineering estimates from published tables under which one-half of the remaining value is written off over 5.26 year periods.

Estimated useful lives are periodically reviewed and if warranted, changes will be made resulting in acceleration of depreciation.

7. Net Loss Per Share

Basic net loss per share is computed using the weighted average number of common shares outstanding. Diluted earnings per share are not presented because the result of using common stock equivalents in the computation is antidilutive.

8. Comprehensive Income

The only component of comprehensive income the Company has is net income.

Note B - The Company as a Going Concern:

The accompanying financial statements have been prepared in conformity with generally accepted accounting principles, which contemplate continuation of the Company as a going concern. However, the Company has not received significant revenues and has accumulated significant losses since inception.

Management is of the opinion that the company will continue operations through December 31, 2003 based on the following plans and events:

The Company's supplier (Note D) and major creditor, MDS Nordion, has guaranteed a line of credit of $500,000 from a bank. Any future draws against this line must be approved by Nordion. At December 31, 2002, $500,000 of this amount is available to fund 2003 operations.

The Company is processing poultry and meat products under the provisions of USDA regulations. However, revenues to date from such products have been nominal. The Company anticipates that revenue from processing packaging materials and other products, together with its unused credit line of $500,000, will be sufficient to cover operating costs through December 31, 2003. A major customer has entered into a noncancellable contract with the Company to purchase a minimum of $938,000 of irradiation services through September 2003. However, there is no assurance that the anticipated revenues will be received.

Note C - Receivables from Directors and Employees:

Pursuant to an employment agreement and stock option plans during 2001 the Company issued to Directors and employees 142,500 shares of common stock for receivables of $182,085. Of this amount $112,000 was due from the President under the provisions of an employment contract. Such amount is being forgiven $28,000 per year and charged to expense over a four-year period commencing September 1, 2001. The total receivables have been recorded as a reduction to equity pending collection or expensing. As of March 14, 2002 all receivables for common stock had been collected except for the amount due from the President, which is scheduled to be forgiven.

Note D - Financing Agreement:

Financing agreement to supplier due on demand plus interest at 1% over prime	$ 663,194
Accrued interest	224,390
	$ 887,584

At December 31, 1999 the Company owed MDS Nordion, Inc. $378,598 (payable in Canadian currency), $375,732 in cash advances and $200,146 in accrued interest totaling $954,476. Such debt was all due January 5, 2001.

On March 6, 2000, as amended on May 18, 2000 the parties agreed to simplify and consolidate the debt as follows. The total amount of the indebtedness at February 4, 2000 was $963,194 in U. S. dollars, which included $22,114 accrued interest. The parties further agreed that the payable debt, interest accruing thereon, and any future advances remain, at Nordion's option, convertible at any time into common shares of the Company at 70% of the market value at date of conversion. On November 26, 2001 Nordion agreed to waive its rights to convert interest accruing on the indebtedness from February 5, 2000 through January 1, 2004.

On January 23, 2001 Nordion agreed to change the due date of the debt from January 5, 2001 to a due on demand basis.

Effective December 17, 2002 Nordion converted $300,000 of debt for 504,201 shares of stock. Such amount was 70% of the closing market price on December 16, 2002.

All assets of the Company are pledged as collateral security for all sums advanced by the supplier, including accrued interest.

FOOD TECHNOLOGY SERVICE, INC.

NOTES TO FINANCIAL STATEMENTS
December 31, 2002

Note E - Income Taxes:

The Company has unused operating loss carryforwards available at December 31, 2002 of $9,277,494 for tax and financial reporting purposes. The loss carryforwards expire as follows:

	Amount	
Year	Tax	Book
2003	$ 56,842	$ 38,112
2004	23,345	23,345
2005	77,909	77,909
2006	400,332	400,332
2007	1,352,015	1,352,015
2008	1,297,455	945,703
2009	1,239,590	1,239,696
2010	1,262,386	1,292,314
2011	1,048,800	1,065,209
2012	688,497	983,017
2018	647,342	573,699
2019	840,410	881,875
2020	86,215	147,912
2022	256,356	256,356
	$ 9,277,494	$ 9,277,494

Deferred income taxes reflect the estimated tax effect of temporary differences between assets and liabilities for financial reporting purposes and those amounts as measured by tax laws and net operating losses. The components of deferred income tax assets and liabilities at December 31, 2002 and 2001 were as follows:

	2002	2001
Net operating loss carryforwards	$3,491,121	$3,426,345
Net deferred tax assets	3,491,121	3,426,345
Less - Reserve	(3,491,121)	(3,426,345)
	$ 0	$ 0

Note E - Income Taxes(continued):

The net deferred tax assets have been fully reserved because there is less than a 50% chance that they will be utilized.

Note F - Stock Offerings:

During 2000 the Company sold 17,000 shares for $31,210 in cash and receivables pursuant to stock option plans.

During 2001 the Company issued 20,000 shares to its President pursuant to an employment agreement and 1,136 shares to an individual for public relations services. In addition 142,500 shares were issued for $182,085 in receivables pursuant to stock option plans. Such receivables plus $23,375 remaining from 2000 were recorded as a reduction to Stockholders' Equity pending collection (See Note C).

All shares issued for services have been ascribed the market value on the dates they were earned.

Note G - Stock Purchase Warrants and Stock Options:

The Company's policy is to issue warrants and options at or above the market value on the issue date, except for non-employee Directors in 1999. Accordingly, compensation has been recorded for warrants or options granted only to such Directors.

On November 11, 1996 the Company agreed to issue its former President 10,000 shares for services. The Company also granted him options to purchase up to 20,000 shares of stock per year at $1 per share during the five-year period ended December 8, 2001. Such options were exercised 20,000 shares in 1998, 32,000 shares in 1999, 8,000 shares in 2000 and 40,000 shares in 2001.

On May 18, 1992, the Stockholders approved the 1992 Incentive and Non-Statutory Stock Option Plan (the "1992 Plan") and on June 23, 2000 the Stockholders approved the 2000 Incentive and Non-Statutory Stock Option Plan (the "2000 Plan").

The Plans are administered by the Board of Directors who are authorized to grant incentive stock options ("ISO's") or non-statutory options ("NQO's"), to Officers and employees of the Company and for certain other individuals

Note G - Stock Purchase Warrants and Stock Options (continued):

providing services to or serving as Directors of the Company.

Upon approval of the 2000 Plan no further options will be granted under the 1992 Plan. The maximum number of shares of the Company's Stock that may be issued under the 2000 Plan is 500,000 shares of which options to purchase 9,356 shares were granted in 2000, 202,000 were granted in 2001 and 20,000 were granted in 2002.

The aggregate fair market value (determined at the time an ISO is granted) of the Common Stock with respect to which ISO's are exercisable for the first time by any person during any calendar year under the Plans shall not exceed $100,000. Any option granted in excess of the foregoing limitation shall be specifically designated as being a NQO.

On August 25, 1992, the Board of Directors authorized and issued options to buy 122,000 shares at $8.75 per share. On August 7, 1998 the remaining 78,000 of these options were canceled and new options to purchase 105,000 shares at $2.75 per share were issued. Such price was the market value on August 7, 1998; accordingly, no compensation was charged to operations.

The options are exercisable 20% of the authorized amount immediately and 20% in each of the following four years. ISO's and NQO's granted to an optionee terminate 30 to 90 days after termination of employment or other relationship, except that ISO's and NQO's terminate the earlier of the expiration date of the option, or 90 to 180 days in the event of death and 180 days to one year in the event of disability.

On February 9, 1999 the Board of Directors approved an option plan for non-employee Directors. Under the plan, non-employee Directors received options to purchase 3,000 shares per year plus 1,000 shares per meeting attended. Such options were granted in January of each year at the quoted market price at the beginning of the previous year and must be exercised on or before five years from the date of grant. The options are granted pro rata if a director terminates during the year. During 1999, 23,000 options accrued to three Directors. The difference between the option price and the market price of the shares on the dates earned was $19,205 and has been charged to income.

Note G - Stock Purchase Warrants and Stock Options (continued):

Such plan was amended on May 18, 2000 to grant such options on the date a director is elected rather than January at the average quoted market price for the five days preceding the date of grant. Also such options may be exercised after one year. No more than 10,000 shares may be granted to each Director per year. During 2000 options to purchase 25,356 shares at $3.38 per share were granted to four directors. The plan was further amended on March 1, 2001 to grant each non-employee Director options to purchase 6,000 (16,000 for the chairman in 2001 only) shares annually at the market value on the date of grant. On March 1, 2001 options to purchase 22,000 shares at $1.375 were granted to two directors and on May 2, 2002 options to purchase 18,000 shares at $.91 per share were granted to three directors.

Statement of Financial Accounting Standards No. 123 "Accounting for Stock-Based Compensation" was implemented in January, 1996. As permitted by the Standard, the Company retained its prior method of accounting for stock compensation. If the accounting provisions of Statement No. 123 had been adopted, the net impact on the 2002, 2001 and 2000 net income would not have been material.

Note G - Stock Purchase Warrants and Stock Options (continued):

Changes that occurred in options and warrants outstanding are summarized below:

	2002		2001		2000	
	Shares	Average Exercise Price	Shares	Average Exercise Price	Shares	Average Exercise Price
Outstanding at beginning of year	182,566	$2.11	157,156	$2.37	121,800	$2.02
Granted	38,000	$0.99	202,000	$1.43	53,356	$2.91
Exercised	-	-	(149,000)	$1.34	(17,000)	$1.84
Expired/canceled	(4,000)	$2.75	(27,600)	$2.75	(1,000)	$2.53
Outstanding at end of year	216,566	$1.90	182,556	$2.11	157,156	$2.37
Exercisable at end of year	124,556	$2.20	71,156	$2.91	47,600	$2.53

Note H - Related Party Transactions:

The Company's supplier of Cobalt and major creditor, MDS Nordion Inc. (Nordion) owns approximately 40% of the Company's outstanding common stock (see Note D for financing arrangements).

During 2001 the Company purchased 386,589 curies of Cobalt 60 from Nordion for $514,728 and during March 2003 the Company ordered an additional 800,000 curies for $1,119,413 plus freight and installation.

Note H - Related Party Transactions (Continued):

At December 31, 2002 Nordion had approximately 286,000 curies of cobalt in storage at the Company's plant. Due to the physical layout of the Company's plant, all product processed was exposed to Nordion's cobalt. The Company has not charged Nordion any cobalt storage fees, nor has Nordion charged the Company for any cobalt decay. The value of Nordion's cobalt decay is estimated to have been $75,000, $65,000 and $55,000 for the years ended December 31, 2000, 2001 and 2002, respectively.

Note I - Commitments and Contingencies:

On March 24, 2000, Pegasus Foods Canada, Inc. filed a lawsuit against the Company alleging that certain seafood products irradiated by the Company were adversely affected by the process. The lawsuit alleges damages and lost profits in excess of $6,000,000. The Company denies the allegations and intends to vigorously defend the lawsuit. The outcome of this litigation is uncertain at this time; accordingly, no provision has been made in the accompanying financial statements for this contingency.